

TESTIMONY
of
PAUL TITZMANN
before the
PUBLIC UTILITIES COMMISSION

for
AN ABBREVIATED FILING

ON BEHALF OF
PROVIDENCE WATER

JUNE 2002

**Providence Water Supply Board
Testimony of Paul Titzmann**

Q. Please state your full name and title?

A. Paul Titzmann, Director of Special Projects for the Providence Water Supply Board (Providence Water).

Q. How long have you held the position of Director of Special Projects?

A. I have held this position since January 2001. Prior to that I was the Deputy General Manager - Administration and the Director of Finance.

Q. Would you please state your education, background and professional associations?

A. I graduated from Bryant College with a Bachelor of Science in Business Administration with a major in Accounting. I have held the position of Finance Director (or its equivalent) in the City of Pahokee, Florida and the Town of Barrington, Rhode Island. I have performed utility (water, sewer, electric, cable television) and municipal special consulting services while employed by a south Florida CPA firm. I also was an analyst for Eastern Utilities Associates in Boston, Massachusetts.

I am currently a member in the American Water Works Association, New England Water Works Association and the Rhode Island Water Works Association. In addition I have represented Providence Water and participated in several American Water Works Association Research Foundation projects.

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1 These projects were: *Financial and Economic Implications of Main Replacement*
2 and *Comprehensive Costs of Infrastructure Failure*.

3 **Q. Have you testified before a regulatory agency with respect to operating**
4 **matters or rates either in your current position or in your previous**
5 **positions?**

6 A. Since my employ with Providence Water, I have testified before the Rhode
7 Island PUC in a number of hearings and proceedings, including Dockets 2304,
8 2961 and 3163.

9 During my employment as a consultant for a South Florida CPA firm, I was
10 involved in a number of Water Utility matters including: Rate Design for the Town
11 of Davie; Staff consultant to the Public Utilities Commission re: Holiday Pines
12 rate filing; Cost of service evaluation for Orange County, FL; St. Lucie County
13 condemnation of GDU water and sewer systems; Evaluation of supply
14 alternatives for Disney Development Corporation.

15 **Q. What is the purpose of your testimony?**

16 A. To address the increases needed in miscellaneous fees and charges, "Schedule
17 F", which has not been revised since 1993. It is important that services which
18 are required only by a portion of our customers are paid for by them and not
19 funded in the general rates and subsidized by all customers even if they do not

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1 use those services.

2 **Q. Could you take us through Schedule F and explain how you determined the**
3 **respective charges?**

4 A. Sure. I will address the issues in the order they appear on the Schedule.

5 **Q. What is the first point you wish to address?**

6 A. Photocopying charges are unchanged, but we are requesting a returned check
7 fee of \$20. Providence Water is charged \$7 by our bank for each insufficient
8 funds check. In addition there is a charge from our lockbox provider for
9 processing a payment. Besides external charges, we incur in-house costs to
10 adjust the account, contact the customer, obtain a replacement check and
11 process payment once again. The \$20 fee requested is based on normal
12 business practices.

13 **Q. Was there a change to Plan Checking/Water Availability Review?**

14 A. Yes, we updated the hourly rates to reflect the actual rates and adjusted it by an
15 additional 4% for the contractual increase taking effect July 1, 2002. The
16 minimum charge of three hours for plan checking has been eliminated. Similarly,
17 the charge for Easement/Abandonment Requests was adjusted to reflect
18 salaries as of July 1. The hourly rates for each are indicative of the salary level
19 of the personnel performing the work.

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Q. Did the charge for Hydrant Flow Tests change?

A. Yes, it actually decreased. The actual hourly rates, adjusted for the July 1 increase, was applied to the average hours spent for this service. This resulted in the revised rate of \$118.

Q. Can you explain how the charges for a new water service were computed?

A. The first step in computing the new water service charges was to review the actual work orders processed over a sixteen month period. This resulted in an average charge for labor, material, equipment and vehicles. The labor cost was escalated for the 4% increase. This resulted in an average direct cost. An additional 45% of labor was added to cover the cost of fringe benefits. Historically, this is the average cost of benefits to Providence Water.

Indirect costs were computed as follows: Indirect Material at 3% of the material cost; Indirect Labor at 50% of the labor cost; and General Overhead at 25% of total direct cost. The material rate of 3% basically covers the cost of stocking materials. Labor overhead of 50% covers the cost of supervisory employees, departmental clerical costs, and senior management. The general overhead rate of 25% covers the costs associated with all support departments within Providence Water. This includes inventory control, personnel, clerical support, accounting and data processing.

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1 This methodology was used to develop the new fees for 1" through 6" water
2 services. Services sized at 8" or greater can not be reliably costed out on an
3 average basis because they are infrequently performed. These services will be
4 charged on an actual time and material basis. Service sizes of 5/8" and 3/4" are
5 not included since the minimum size of service Providence Water installs is 1".

6 The service charge for water service from 1" up, under special circumstances,
7 will also be computed on a time and materials basis. There have been instances
8 where ledge is encountered and a crew has spent considerable time to break up
9 the rock so a water line can be run. It is proper in these cases that the customer
10 receiving benefit pay their "fair share" for the value received. Historically, these
11 costs have been absorbed by all customers, or in cases where additional fittings
12 are required, they have been purchased and have resulted in adversely
13 impacted the materials budget.

14
15 **Q. Could you explain the pavement/sidewalk restoration charges?**

16 A. Yes. Whenever a service is installed, the pavement and/or sidewalk must be
17 disturbed in order to run the line. There is a cost associated with the final
18 patching which is performed by a contractor. In the event that we are performing
19 IFR (replacement) work, Providence Water should properly absorb the cost and
20 distribute it over the entire customer base. However, when it is a new service
21 being installed, the cost should be borne by the individual customer.

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1 We are proposing that the actual charge be passed on to the customer.
2 Historically the average cost of pavement restoration has been \$300, while
3 sidewalk repair has averaged \$75. This is presented as an average, and actual
4 charges may be more or less.

5 **Q. What constitutes the basis for the Police Detail charge?**

6 A. In instances where there is heavy traffic or a safety hazard, it is necessary to hire
7 a police detail for traffic control. As explained above, this is an expense which
8 should also be borne by the individual customer receiving the benefit. The
9 hourly rates are provided for illustrative purposes, and we would charge the
10 actual expense incurred.

11 **Q. Could you explain how the cost of a new meter installation was developed?**

12 A. Nine months of actual meter installation data was analyzed to determine the
13 average costs for each of the meter sizes from 5/8" through 2". The resulting
14 cost for direct labor was escalated for the July, 2002 contractual increase and
15 other costs remained the same. Indirect costs were computed consistently with
16 the methodology used for service installations by applying the same factors for
17 the respective categories.

18 **Q. You show rates for a meter and an ERT and ERT only. Why aren't there**
19 **rates for the replacement of a meter only?**

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1 A. The meters we are currently using include an integral ERT, so it's a single unit.
2 Therefore, in the case of new installations, we utilize the one piece combined
3 unit. When we have retrofit existing meters, we only install an ERT. In cases
4 where it is lost or stolen, we would install an ERT as a replacement.

5 **Q. How did you calculate the revised Service Shutoff and Restoration**
6 **charges?**

7 A. Once again, the hourly rate was adjusted for the July increase, and actual
8 equipment cost was included. The indirect labor and general overhead rates
9 were then applied, consistent with the method detailed above.

10 **Q. Have you performed a calculation to determine the additional revenue that**
11 **would be generated from the revised charges?**

12 A. Yes I have. Included as Schedule PT-1 is a summary of the additional revenues.
13 It is anticipated that the proposed service charges will result in additional
14 revenue of \$198,629. Miscellaneous Revenues have been adjusted accordingly.

15 **Q. Does this conclude your testimony?**

 A. Yes.